

14 May 1965

Dear Joe:

Subject: Contract [] - Estimated Cost Overrun on PARs 214 and 215

Our latest review of the subject PARs shows that we should anticipate costs in excess of the estimated costs last reported in our letter of 12 January 1965. As a result of our review new estimated costs are shown on the attached summaries and are tabulated below in comparison with cost figures submitted in the 12 January 1965 letter.

| | Reported 1/12/65 Total Cost Level | Est. of 5/10/65 Total Cost Level | Anticipated Overrun |
|---------|--------------------------------------|-------------------------------------|------------------------|
| PAR 214 | [] | | |
| PAR 215 | | | |

In monitoring the progress of these PARs, we have been aware that we were exceeding our estimates in the engineering area on PAR 215. At the same time, costs reported in the fabrication and assembly area seemed to indicate approximately an equivalent underrun, and so no special action seemed necessary. However, in the last period report of fabrication costs, this indication proved to be wrong and, consequently, we have made a detailed re-estimate to complete. The areas in which we now predict overrun are described below under each PAR number.

PAR 214

1. The larger share of additional cost was an underestimate of the shop time required for fabrication and assembly. At present an overrun of [] is forecast which amounts to 5.7% of the previous estimate of [] at the total cost level.
2. The remaining overrun occurred in design engineering.

PAR 215

1. The major portion of the overrun took place in the design engineering of the pump stand. It proved to be much more costly to design than originally envisioned due to machine space limitations.

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PAR 215 (Continued)

2. Again fabrication and assembly was underestimated by approximately or 10% of the previous estimate.

25X1

Approval is requested to proceed on the basis of the new estimated costs as detailed on the attached cost breakdowns.

RRW:eb
In Duplicate
Enclosures (2)

Dick
Dick

cc: WJ w/2 encs.
2 ea.